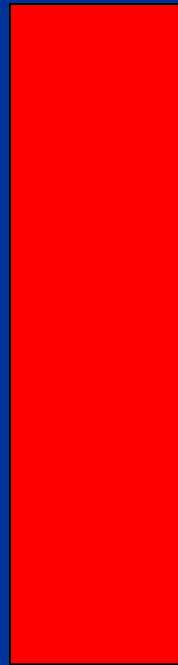


Proposed Agreements OCEA & SEIU

- Retiree Medical restructuring
- Employees contribution to pension plan
- Salary adjustment

The Challenge

Retiree Medical Program
Unfunded Actuarial Accrued Liability (UAAL)



\$1.413 Billion

Current Plan – Total County

The Solution

Retiree Medical Program
Unfunded Actuarial Accrued Liability



Retiree Medical Restructuring

Why is it needed?

- Annual retiree benefit payments & UAAL will escalate in future
- Current Retiree Medical Program is at risk
- Annual Required Contribution (ARC) is approaching 13% of pay or \$130 million per year

Important Notes

- Retains a modified Retiree Medical Program
- \$578 million projected UAAL reduction significantly strengthens our long-term financial position
- New agreement reduces retiree medical benefits for both current & future retirees
- Reaffirms commitment of employees to pay for all costs of 2.7% @ 55 program

Proposed Restructuring of Retiree Medical Program

- Split the pool (actives/retirees) effective January 2008
- Maximum increase in grant is capped at 3% maximum per year (vs. 5%) effective January 2008
- Once retiree becomes Medicare eligible, the grant is reduced by 50% (current retirees age 65 and older no reduction; current retirees age 64 or younger 50% reduction once Medicare eligible – but no sooner than 1 year)

Proposed Restructuring of Retiree Medical Program

- Employees retiring after Board adoption (September 12, 2006) – 7.5% reduction in grant for retiring each year before age 60 and 7.5% increase to grant for each year worked after age 60 up to age 70
- Establish trust to administer Retiree Medical Program effective January 1, 2007 funded by County and controlled by County
- County funds cost of retiree medical effective June 23, 2006; no employee contribution; 1% lump sum benefit phased out

Retiree Medical Program Restructuring

- Retirees have options to reduce impact
- No grant impact to current retirees over 65 years old (except 3% maximum cap per year)
- 63% of retirees in County's health plans are over 65 years old

**Current Retiree Over 65
Age in 2006 – 66
Years of Service – 20**

No Reduction in Grant

	2007	2008
Monthly Grant - Current Plan	\$ 333	\$ 350
Monthly Grant - Proposed Plan	\$ 333	\$ 343

Premier Wellwise - pooled rates in 2007, split pool in 2008

Retiree Only	\$ 320	\$ 384
Retiree Contribution - Current	\$ -	\$ 34
Retiree Contribution - Proposed	\$ -	\$ 41

Kaiser Advantage - pooled rates in 2007, split pool in 2008

Retiree Only	\$ 211	\$ 234
Retiree Contribution - Current	\$ -	\$ -
Retiree Contribution - Proposed	\$ -	\$ -

* Over 60% of current retirees in the County's health plans are over 65.

Current Retiree Under 65 Grant reduced 50% when eligible for Medicare
Age in 2006 – 63
Years of Service – 20

	Age	2007 64	2008 65
Monthly Grant – Current Plan		\$ 333	\$ 350
Monthly Grant - Proposed Plan		\$ 333	\$ 171

Premier Wellwise - pooled rates in 2007, split pool in 2008

Retiree Only	\$ 663	\$ 384
Retiree Contribution - Current	\$ 330	\$ 34
Retiree Contribution - Proposed	\$ 330	\$ 213

Kaiser Advantage - pooled rates in 2007, split pool in 2008

Retiree Only	\$ 314	\$ 234
Retiree Contribution - Current	\$ -	\$ -
Retiree Contribution - Proposed	\$ -	\$ 63

* 1,964 current retirees under 65. Less than 20% elect Premier Wellwise. Kaiser, CIGNA and Premier Sharewell provide reasonable alternatives.

Active Employee Retiring Under 60

Grant reduced 15%

**Reduced 50% when eligible for
Medicare**

Age in 2007 – 58

Years of Service – 20

	2007	2008	2013	2014
Age	58	59	64	65
Monthly Grant - Current Plan				
	\$ 333	\$ 350	\$ 446	\$ 469
Monthly Grant - Proposed Plan				
	\$ 283	\$ 292	\$ 338	\$ 174

Active Employee Retiring Under 60

	2007	2008	2013	2014
Age	58	59	64	65
Premier Wellwise - pooled rates in 2007, split pool in 2008				
Retiree Only	\$ 663	\$1,015	\$1,491	\$ 592
Retiree Contribution - Current	\$ 330	\$ 666	\$1,045	\$ 124
Retiree Contribution - Proposed	\$ 380	\$ 724	\$1,153	\$ 418

Premier Sharewell - pooled rates in 2007, split pool in 2008				
Retiree Only	\$ 215	\$ 330	\$ 484	\$ 173
Retiree Contribution - Current	\$ -	\$ -	\$ 38	\$ -
Retiree Contribution - Proposed	\$ -	\$ 38	\$ 146	\$ -

Kaiser – pooled rates in 2007, split pool in 2008				
Retiree Only	\$ 314	\$ 483	\$ 709	\$ 361
Retiree Contribution – Current	\$ -	\$ 133	\$ 263	\$ -
Retiree Contribution – Proposed	\$ 31	\$ 191	\$ 371	\$ 187

Active Employee Retiring Over 60 **Grant increased 15%**
Reduced 50% when eligible for Medicare

Age in 2007 – 62

Years of Service – 20

	2007	2008	2009	2010
Age	62	63	64	65
Monthly Grant - Current Plan	\$333	\$350	\$367	\$385
Monthly Grant - Proposed Plan	\$383	\$394	\$406	\$209

- * 23% of current active employees (approximately 3,500) elect Premier Wellwise. Approximately 70% of active employees elect one of the available HMO plans with the remaining 7% electing Premier Sharewell.

Active Employee Retiring Over 60

	2007	2008	2013	2014
Age	58	59	64	65

Premier Wellwise - pooled rates in 2007, split pool in 2008

Retiree Only	\$ 663	\$1,015	\$1,117	\$ 460
Retiree Contribution – Current	\$ 330	\$ 666	\$ 750	\$ 75
Retiree Contribution - Proposed	\$ 280	\$ 621	\$ 711	\$ 251

Premier Sharewell - pooled rates in 2007, split pool in 2008

Retiree Only	\$ 215	\$ 330	\$ 363	\$ 134
Retiree Contribution - Current	\$ -	\$ -	\$ -	\$ -
Retiree Contribution - Proposed	\$ -	\$ -	\$ -	\$ -

Kaiser – Pooled rates in 2007, split pool in 2008

Retiree Only	\$ 314	\$ 483	\$ 531	\$ 281
Retiree Contribution – Current	\$ -	\$ 133	\$ 164	\$ -
Retiree Contribution – Proposed	\$ -	\$ 89	\$ 125	\$ 72

Proposed Agreements OCEA & SEIU

- Retain a restructured Retiree Medical program
- Agenda items will result in \$578 million reduction of UAAL (41% of \$1.413 billion)
- Stabilize the annual costs of the Retiree Medical Program for General & Probation at an Annual Required Contribution (ARC) between 3.0 to 3.5 percent of salary

Proposed Agreements

OCEA & SEIU

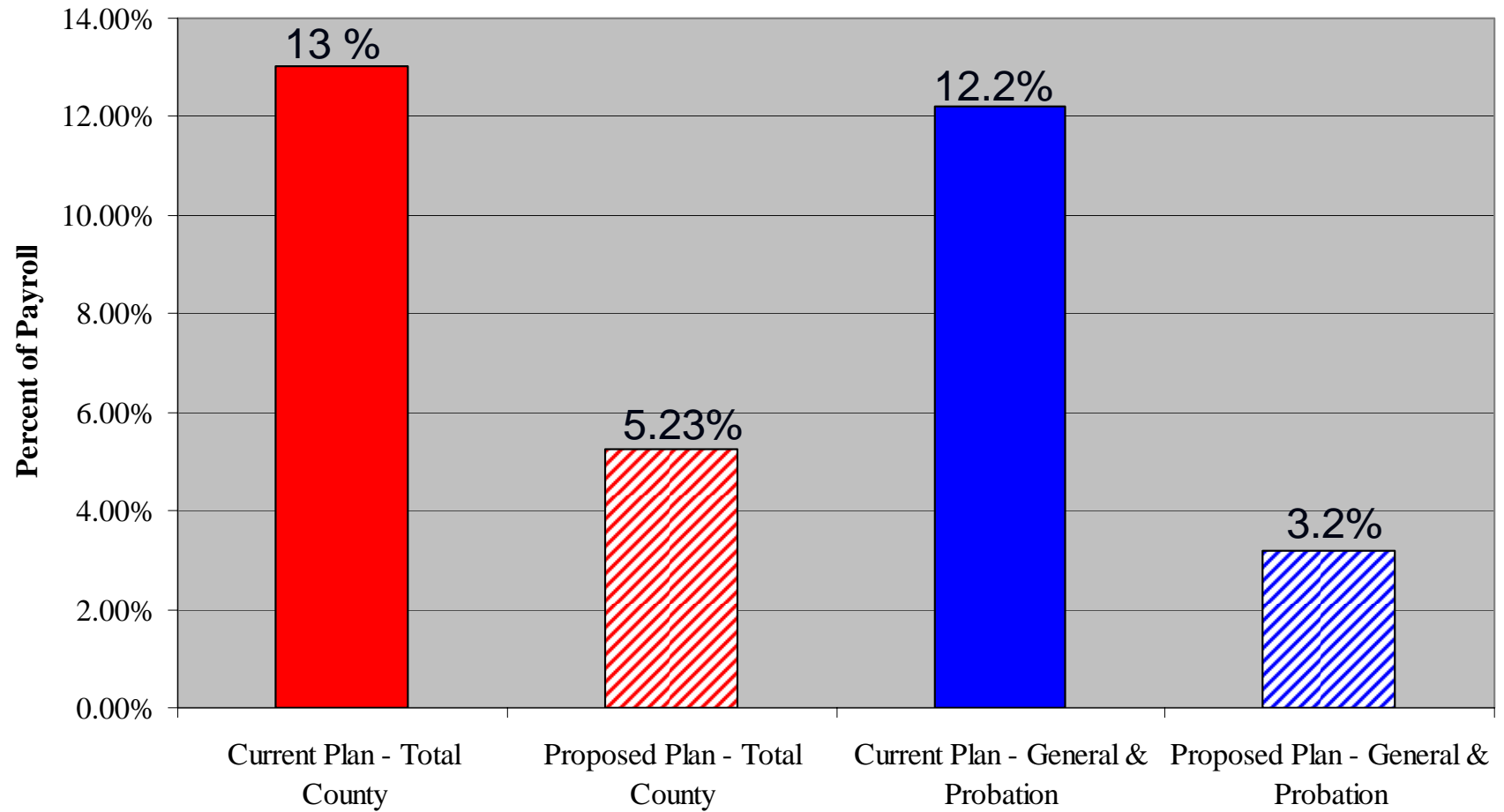
- Reaffirms the full and continuing funding by employee contributions of the annual cost of 2.7 @ 55 retirement program
- Increases employee deductions to fully fund 2.7 @ 55 retirement program
- Employees will pay 11% - 18% from each paycheck for pension benefits

Proposed Agreements

OCEA & SEIU

- Provides a 4.75% general salary adjustment for the OCEA & SEIU represented employees for fiscal year 2006-2007
- Caps market rate adjustments limited to a maximum of 1.25% of OCEA & SEIU wages

Annual Required Contribution



The Solution

Retiree Medical Program
Unfunded Actuarial Accrued Liability

